



# TAX FLASH NEWS

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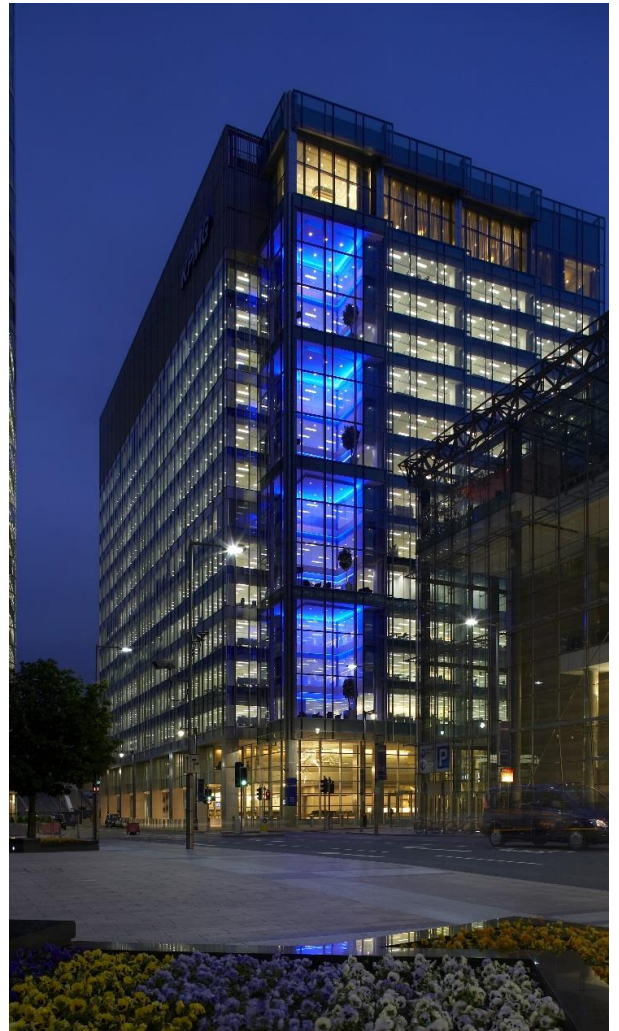
## India signs a Unilateral Advance Pricing Agreement (APA) covering marketing service, trading and assembly activities

Signing of a Unilateral Advance Pricing Agreement (APA) covering a complex business structure for a U.S. based multinational corporation is a significant development. This APA covers outcomes for all three business activities viz., marketing service, trading and assembly undertaken by the taxpayer. The outcome commensurates with the functional and economic profile of the taxpayer for each transaction and is based on in-depth analysis of the facts and commercial considerations.

The approach adopted for the outcome for each transaction is different - some transactions are based on measuring an Indian entity's relevant sub-segment profit margin, while certain other transactions are measured on profitability for foreign affiliates. This APA was also distinct with reference to the hybrid compensation model which was structured in APA given the specific facts.

### Our comments

The APA authorities have showcased their open minded approach alongwith in-depth analysis of the taxpayer's peculiar facts and commercial considerations while finalising the APA. The emphasis on the functions, assets and risks undertaken by the taxpayer with respect to each transaction is key to a favourable approach for both taxpayer and revenue.



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